PP 92-234

TO THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

ORIGINAL FILE

In the Matter of

Petition For Inquiry/Hearing Under First Amendment Rights Of The People To Petition The Government For A Redress Of Grievances By Consumers And Other Interested Parties Against General Instruments Corporation's Monopolistic Decoder Business Practices And Removal Thereof.

To: The Commission

PETITION FOR INQUIRY/HEARING

For Removal Of General Instrument Corporation's Decoder Monopoly Status In Home Satellite Dish Marketplace

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SUMMARY

TVRO CONSUMERS FEEL THE TVRO INDUSTRY COULD BE SUMMED UP BY ONE WORD: MONOPOLY:

The **Consumer Satellite Coalition** chooses to use the words of James E. Scott, Editor of TVRO DEALER, which best describes what is going on in the TVRO industry:

Freedom of choice is why this country was begun, and what it represents to the rest of the world. But this industry has very little freedom of choice. Once you get away from the dish, feedhorn, LNB and mount, there's hardly anything else in TVRO that's not directly impacted by the de facto encryption monopoly that the VideoCipher represents:

* Look at the incredible waste of time and money (not to mention exquisite agony) it's taking to try to get dozens of programmers together long enough to do something as simple as halt piracy by turning off the VCII datastream.

* Precious monies that should be sent by it's trade association to promote and develop the TVRO industry are spent to defeat piracy of the monopoly encryption datastream.

* Monopoly not only helped create piracy but also has aided and abetted its sustained growth for the last five (5) years.

* Receiver manufactures must have their new designs approved by a competitor, which also is the owner of the monopoly encryption device.

* Programmers have only one choice when it comes to authorizing their customers: through the "Non-profit" DBS center owned by the monopoly encryption device.

* In a competitive electronics enviroment, prices always drop as the market matures. In TVRO, because of the monopoly, they keep going up.

* Monies from the monopoly encryption device owner help keep the main trade association afloat and helped the main trade association buy ownership of it's own trade shows.

The present TVRO industry is clearly so anti-American in so many ways because of monopoly that it is dysfunctional. If the TVRO industry were a married couple, no judge in the country would deny there were grounds for divorce in the rate of piracy alone. We need to stop playing monopoly, for everyone's benefit, not least of those being the owner of the present encryption standard. Just look at what encryption monopoly has done to the growth of this industry. If you

don't think monopoly has stunted TVRO, then you should listen to the reasons Don King lists for why he won't let his boxing matches go up on the VCII PLUS.

It's time to give the TVRO Industry a free and open TVRO encryption enviroment. We need to begin by accepting the fact that a multiple encryption enviroment already exists. From there, we need to admit that, by forcing consumers to accept only the VideoCipher, we have limited the industry's growth in all kinds of ways. Imagine the benefits for all concerned if there were a universal standard for satellite IRDs that included a half-dozen or so ports for encryption smart cards. Europe already is looking at the wisdom of doing just such a thing. Canada's DecTec is developing just such a device with it's "open architecture" Secure Universal Norm system.

If consumers bought an IRD that could accept a VCII PLUS RS smart card, as well as one from B-MAC, DECTEC, Leitch, D-Code, SkyPix, etc. programmers wouldn't have to worry about security upgrades or having to pay monopoly tier bit fees to one DBS authorization center. Consumers wouldn't have to get caught in massive swapouts and equipment obsolescence nightmares. One receiver, like one TV set, could be made to receive everything. Imagine a TVRO world where competition amongst IRD manufactures, programmers, encryption software, etc..... drove prices down at the same time it made all kinds of satellite TV available to everyone.

Monopoly only benefits the monopolist. Let's stop playing monopoly, for everyone's good, especially the consumer.

INTRODUCTION

The Consumer Satellite Coalition (CSC) is a national grass root organization that offically represents over 2,176,000 Home Satellite Dish consumers who are the customers of the Satellite Dealer Coalition (SDC) dealer members and others.

In all the FCC decision making, since 1986, concerning General Instruments Corporation as the monopoly decoder manufacture; the FCC has not held hearings for the TVRO consumers and other interested parties who use the General Instruments products and who are affected by the use of said products.

This petition is a request for a public hearing/inquiry by the FCC under the peoples First Amendment Rights to petition the Government for a redress of grievances, to show just cause as to why General Instruments Corporation should no longer be granted a government sanctioned monopoly status in the TVRO industry marketplace.

Consumer comments, questions and documented testimonies, articals and consumer signed petitions are enclosed in this petitionfor your review, to help you to expeditiously set a date for the hearing/ inquiry with participation from consumer witnesses and other interested parties.

General Instruments Corporation has played a central role in the VideoCipher encryption mess the last five years. Should it be allowed to continue profiting from its de facto monopoly by granting it a governmentally-decreed monopoly? We think it is time to let a free marketplace operate freely.

EXCERPTS FROM TESTIMONIES, FCC REPORTS, NEWS ARTICALS

March 6, 1986...Michael Fuchs, HBO, Testimony before House Telecommunications,states: "The marketplace has worked quickly and effectively and as a result consumers will only have to purchase one decoder to receive all these services. Consumers will not have to purchase a different descrambler for each satellite program service they wish to receive. The Video Cipher II (VCII) descrambler offers very sophisticated encryption protection. In the past, simpler and less expensive scrambling methods were easily broken. Inexpensive "black boxes" were readily available to defeat the scrambling codes. VCII provides a much tougher scrambling standard and that cost more." "....the initial price of the descrambler reflects development costs and will likely go down over time, depending on consumer demand." "....earth station owners have choices ....they are not locked into a single enity to obtain descramblers or program authorization. There is no exclusivity in the provision of equipment or programming."

March 6, 1986...Ronald Lightstone, Viacom, Testimony before House Telecommunications, states: "....consumers would be able to receive all satellite signals presently using the M/A-COM VCII with a single home decoder." "....as the marketplace matures ....number of decoder manufactures increases, the unit price of each decoder will decline significantly."

June 12, 1986...Jack Valenti, MPAA, Testimony before House Telecommunications states: "A single signal decoder system M/A-COM is emerging as de facto industry standard. This limits the amount of new equipment the TVRO owner needs to receive these signals."

June 12, 1986...FCC Chairman, Mark S. Fowler, Testimony before the House Telecommunications states: " VideoCipher II (VCII) is the uniform scrambling format. From testimony given this past March (1986)....on the scrambling issue and from articals in the trade press it appears....a single scrambling standard has emerged."

February 12, 1987...FCC submitted a study on satellite signal scrambling outlining the following scenario:

1. The marketplace for scrambled signal is a new one.
2. Nonetheless, there are signs of growing competition.
3. The VideoCipher II (VCII) descrambling system has become the de facto standard.

July 1, 1987...GENERAL Instruments Testimony before Congress states: "....acknowledges there was a breach of security, that the VideoCipher II (VCII) had been compromised (pirated) in late 1986." They believed "about 30,000 VCII descramblers (they) manufactured and shipped in 1986 were illegaly modified." GI stated they"used eletronic counter measures (ECMs) in an attempt to render those modules braindead" which also had an legal decoders by "rendering these VCII's decoders braindead." GI stated that the "VCII decoder is the personal property of the purchasing consumer." GI also stated " when (they) get VCII decoder modules back for repair, that appear braindead, (they) visually observe as to whether or not it has been modified." If the VCII visually appears modified (seal on module broke (torn) or missing) they replace the (low low cost) battery, give the unit a new address code number and charge the consumer $295 for this service whether or not the VCII is in the warrenty period.

March 8, 1989...GI's letter attached to GI's announcement on the unveiling of VideoCipher II PLUS (VCII-PLUS) introduction state the following:

> "...legitimate consumers who own VideoCipher II descramblers today will not loss access to any programming which is currently scrambled or which has plans to scramble. They will notice no difference in their service when the PLUS system is introduced and will suffer no inconvience. Claims that the VCII will become obsolete are simply unfounded."
>
> "No VCII modules will be manufactured after 12/31/89." "Legitimate VCII descrambler or IRD owner, Distributor or Dealer can trade-in an untampered, undamaged VCII module with $129 upgrade charge and receive in exchange a new VCII-PLUS module beginning 4/1/90."

February 28, 1989...GI's letter to Congress states: "This technology has become, and remains even with enhancements, the de facto standard for the scrambling of home satellite television...The VideoCipher II system."

December 26, 1990...Satellite Business News publication: GI states that there will be a VCII-PLUS upgrade to a Cipher Card Based Module (CCBM) beginning the first part of 1992 and consumers will be required to switch to the CCBM (from the VCII-PLUS).

The CCBM will be useable with a cipher card if the CCBM security is broken. The use of the cipher card will take place of future module replacements. This means consumers will then have to purchase a cipher card periodically when ever programmers and GI feel need to change security status. VCII owners who receive the free CCBM upgrade will receive one free upgrare to the first new security level if it is necessary for a three-year period from date of the purchase or receipt of the original upgrade...such costs are usually passed through the consumer in some form. CCBM will not be compatible with (the next GI decoder) DigiCipher video compression system and consumers wanting to upgrade to it will have to pay. GI stated: "You have to have the ability to upgrade the security and you have to have a way to upgrade that doesn't interrupt the industry's business."

February 28, 1991...GI letter to Congress informs them of the intoduction of the VCII PLUS and writes the following:

> The VLSI microprocessor incorporates into one VCII-PLUS unit the features of the security microprocessors in current modules.

(Consumer comment: Is this the same security features as the pirated VCII's have?)

In this same letter GI claimed the tide has turned against piracy due to the VCII shipments with a new firmware called "dash 7" security (-7 or 77 data stream). This VCII "dash 7" security was broken very shortly after it's introduction. In the Feb. 28, 1989 letter, GI is stating the VCII-PLUS will incorporate this security feature "dash 7" in the security microprocessors.

April 1990...FCC says VideoCipher Encryption acceptable. The FCC was responding to a congressional request for whether FCC felt Government should mandate encryption standard for satellite cable programming. In the report the FCC stated:

> General Instruments Corporations VCII is the de facto standard for encrypting and decoding satellite programming and that dish owners need not buy another system to receive satellite cable programming.

September 5, 1988...General Instruments Corporation Press Release states the following:

* Revolutionary high-tech security cards and distribution of cards to dealers and consumers "are the way of the future for satellite TV"...part of VideoCipher II-PLUS system.
* VCII-PLUS design provides opportunity to reduce manufacturing costs and potentially consumer prices for IRD. VCII-PLUS will remove security features in VideoCipher modules thus reduce manufacturing costs. Redundancies in VCII and current IRD circuts will also be eliminated offering additional savings.
* The security card will be sold directly to dealers and consumers. Dealers could also enjoy new margins on the security cards.

February 7. 1989...Gl's letter to licensed manufactures on the VCII PLUS distribution points out the following:

* Licensees will receive both support module and security cartridge, coupled together.
* Based on security enviroment, we'll place direct distribution plans on stand-by status as a weapon to fight ...when needed.
* GI will implement direct distribution of security cartridges should the VideoCipher Division determine it necessary.
* Should direct distribution become necessary, licensees would purchase from GI a support module and a certificate. (consumer comment: isn't this a monopoly control purchase) Consumers would redeem the certificate for a security cartridge already paid for at the time of their IRD/Stand-alone descrambler purchase.
* Be advised that GI intends to implement a IRD back panel that will allow consumer-friendly interface of VCII-PLUS security cartridges.

July 13, 1989...GI letter to consumer descrambler module licensee states: "As you know the VideoCipher Division of General Instrument has been working diligently to complete the design of the VideoCipher II-PLUS encryption system and descrambler module." "...send us your technical questions concerning updated VideoCipher II-PLUS..." "Also, please provide a current sample of each of your licensed IRD models as requested in Ralph DeSiena's letter of June 22, 1989 so that the Video Cipher Division may conduct a ...retest of your IRD to verify proper operation with the new VCII-PLUS modules."

December 8, 1990...GI letter to Harvey Smith assuring Mr. Smith that " GI will not turn off any VCII boards, specifically the 010's, 019's, 018's and 032's until the new Cipher Card is perfected.

February, 1991...Satellite Retailer publication did a artical on A to Z of Schematic Manufactures and how people could order the specific plans they were interested in. In this artical was reference to documentation departments on General Instruments..."Following their (GI) pricing on their modules, GI's pricing is the highest in the business with each model's service costing almost $60. each. The manuals do include circuit descriptions, alignment procedures, board layouts, and schematics. You can also get just schematic packages for about $12. each."

Consumer comment: For what purpose does it serve to sell the schematics and documentation when GI does not authorize independent repair centers? Can we conclude that it could be for one of the following two reasons , or both?

!. For added revenue stream

2. Aide and abet piracy

GI MANUFACTURING CHANGES

For over 5 years (almost 6) the VideoCipher II de facto standard has gone through many stages of improvements and security enhancements. In view of the length of time spent on the de facto standard the VCII stayed compromisable which made it a defective product. GI continued, knowingly, to put this defective security decoder product in the marketplace for consumers to buy.

the following is a list of the various stages of VideoCipher upgrades by GI from the manufacturing acceptance of the VCII in 1985 thru the VideoCipher II-PLUS/MOM in 1991, all of which has either been sold or swapped out to consumers.

TABLE 1 LIST OF MANUFACTURING MODULE CHANGES 1985-1991

	C4-Data Stream Boards 2.4 version	
Prefix Series #	0100	NO EPOXY
	0102	NO EPOXY
	2.6 version	
Prefix Series#	0103	ALL THESE
	0104	BOARDS HAD
	0105	HARD EPOXY
	0106	ON
	0107	THEM
	A5 Data Stream 3.0 version	
Prefix Series #	0180	SOFT EPOXY
	0190	SOFT EPOXY
	-7 Data Stream (77 or dash 7)	
Prefix Series #	032	SOFT EPOXY..This was a full size board due to change of microprocessor chip that was on 018 and 019
Prefix Series #	032	SOFT EPOXY...same number but only half the size of the other 032 with a different microprocessor chip
	VIDEOCIPHER II-PLUS	
Prefix Series #	027	NO EPOXY
	028	NO EPOXY

TABLE 1 .....CONTINUED....

VIDEOCIPHER II-PLUS/MOM

MOM means Modem Operated Memory which is the Video Pal built on board — NO EPOXY

CLOSER LOOK AT GI's UPGRADES/EFFECTS ON CONSUMERS

In the VCII catagory there were 3 different data streams (security advances) styles in 10 (ten) different series sold to the public. All the VCII-C4 data stream boards were obsoleted from full access of pay-per-view programming because the introduction of GI's VideoPal that was not compatible with the VCII-C4 modules. The consumer who purchased the VCII-C4 modules lost the full use of their investment in their complete satellite system. Consumers could no longer continue to have full access to pay-per-view through the use of their VCII-C4 modules and telephone when pay-per-view switched to VideoPal and VCII only authorization.

1988...General Instrument introduces the GI VideoPal (VP) pay-per-view order recorder that is to be connected to the consumers VCII IRD or descrambler...GI notes in the VideoPal manual that the VP is NOT compatible with any GI VCII module firmwear below the 3.0 version, therefore obsoleting any previous VCII module version from pay-per-view. GI also notes in the VP manual..." In the event repairs are ever needed on your VP unit, they must be performed by GI. It is also stated in the manual and GI's authorization Satellite Video Center (SVC) a "vcii is required for use with the VideoPal in order to receive pay-per-view programming.

In the 0100-0102 series, GI didn't put any epoxy on the boards to block access to the decoder chips. In the 0103 thru the 0107 series, GI covered the chips with a quality grade, non-flexable, hard epoxy which made it difficult to compromise (pirate) these modules. In the 018 and 019, both of the 032's modules GI changed the epoxy to a low grade, flexable, soft quality epoxy sealer for the chips on thses modules. The soft flexable epoxy made it easily accessible to compromise (pirate) the modules thru use of a blow dry hair dryer to remove the epoxy.

In all the VCII-PLUS and VCII-PLUS/MOM modules, GI is not using any epoxy on these modules to stop them from being compromised (pirate). This new generation of VideoCipher modules are baing left without

security precautions, just like the first generation of VideoCipher II's...making them easily accessible for piracy.

WHY DIDN'T GI USE EPOXY ON THEIR FIRST AND SECOND GENERATION VIDEOCIPHER MODULES (BOARDS)?

Gi's VCII security has been compromised for almost 6 years, in spite of many VCII security version changes. In 1990, when GI introduced the first batch of VideoCipher II-PLUS decoders, which were manufactured before April 1, 1991, they do not carry any 3 year warrenty which covers GI's future decoder (module) upgrades. **THUS THE CONSUMER IS NOT PROTECTED AGAIN IN GI's NEVER ENDING DECODER CHANGES FOR THE ONLY DECODER YOU WILL EVER NEED.** Now the VCII-PLUS that was manufactured after April 1, 1991 does come with the 3 year FREE upgrade to the next decoder..giving those VCII-PLUS/MOM consumers a small element of protection in the VideoCipher upgrades.

The VCII-PLUS's manufactured before April 1, 1991 proved to have a excessive amount of compatibility problems with IRD's (especially with GI's own IRD's and Stand-alone decoders. These decoder modules had an inherit problem with being able to produce on screen graphics such as; quality of reception of equipment, program and purchasing readout and costs to consumer for each program on pay-pe view, inability to select pass word, not able to have parental lockout, inability to read programmer messages and add to that it automatically de-authorizes your subscription service programming you have already paid in advance for as well as have audio descrepencies. GI is quite awear of these problems with the VCII-PLUS and its inability to be backward compatible with many consumers IRD's/Stand-alone decoder boxes, but GI doesn't care as they are to busy selling or up-grading unsuspecting consumers to these defective products.

Add to the legal consumer (VCII owners), come May 21, 1991, any new authorizations for its VideoPal pay-per-view ordering system will be restricted to VCII-PLUS consumer satellite systems (printed in TVRO Dealer magizine 1990). Even if you were a VCII/VideoPal user but tried out the VCII-PLUS under the GI/SVC Product Evaluation Pro gram VCII swapout and found after 3 different VCII-PLUS tries (all were defective) and went back to your legal VCII till GI corrected those defects, GI's authorization SVC would not reauthorize you for pay-per-view...there by making your satellite system you purchased it for was immediatly , by GI, obsoleted and your investment loss.

CLOSER LOOK AT GENERAL INSTRUMENTS REPAIR REQUIREMENT

GI's rules for what price to charge consumers for their repair of the decoder modules is done by GI's quick visual look as to what condition the decoder module was received in by the repair center.

The repair charge is determined by whether or not the decoder module seal (tab) was torn or missing. If the seal (tab) is torn or missing GI tags a outrageous repair price tag on the decoder mocule claiming that visual signs of the torn or missing seal(tab) on the decoder module tells their repair department this decoder has been modified (pirated).

What is this seal (tab) that can make such a difference as to what the consumer has to pay for repair of their decoder mocule from a few dollars to hundreds of dollars...for the same repair work?

This seal (tab) is nothing more than about 3 inches by a half inch piece of tin foil that has the words General Instrument printed on it. This seal(tab) is attached to the decoder module with a adhesive (not screwed down) of the same quality of adhesive as that of which is applied to your identification strips you use on your VCR tapes that you pencil in what programs you recorded on the VCR tapes.

Under various weather conditions, these GI seals (tabs) curl away from the object they were attached to. Also thses seals (tabs) will on occassion literally fall off or rip apart as you remove or insert your decoder module into it's housing (IRD/Stand-alone). Because of the missing or torn seal (tab) it appears GI charges excessively for their repair or if a consumer questions the cost then the consumer has to convience GI that the decoder was legal. (The accuser shuld be the one to bare the burden of proof not the consumer). How many people have paid the high repair price without question? Rather than question GI (since it is sanctioned by our government) consumers would pay or just turn their dish upside down..(because the consumer feels the U.S. government is only there to protect GI rather than the consumer).

June 1986.... **Anderson Scientific Manufacturing, Rapid City, S.D.** Anderson Scientific claimed to have broken the M/A-COM VCII code before GI purchased M/A-COM in September 1986. WE, the consumers, contend that GI knowingly continued to manufacture the broken VCII for 5 years and sold the security defective product to the Home Satellite Dish consumers.

July 1, 1987...GI stated to Congress that they could turn off all the illegal decoders with a flip of a switch. With a couple of universal ECM's by just flipping the switch to eleminate illegal decoers, it would have stopped the illegal use of the VCII modified decoders immediately. GI has not done this. GI has instead choose to drag out the piracy issue by establishing with the Satellite Broadcasting Communication Association (SBCA) a anti-piracy task force that has draged on investigations over the year at the cost of consumers through the never ending decoder change overs and price increases for the decoders and programming.

For 5 years, GI has held a monopoly on the TVRO decoder industry, DBS authorization center, decoder and VideoPal repair services and have at the same time managed to continually sell defective security decoder modules as well as operationally defective non-compatible decoder modules, Add to the list of GI's defective TVRO products the VideoPal which in use interferes with the in-the-clear satellite programming and regular use of the consumers telephone. The many varities of GI decoder changes show that GI can not or will not offer the consumer a secure decoder that protects their investment by taking the necessary precautions to block the compromising of the decoder.

March 8, 1989...GI letter to Congress stating GI is not manufacturing anymore VCII's after 12-31-90.

> Consumer comment: VCII's are continually being shipped to Canada and GI claims the only thing they are doing with the VCII's is repair them for customers. If all they are doing is repair work on the VCII's they must have thousands upon thousands of defective VCII's they have sold to consumers.

FCC said consumers need to purchase only one descrambler for each satellite program service they wish to receive.

> Consumer comment: How many different "only one descrambler" do consumers have to purchase to receive the programming they wish?

All the C-Band programming the consumer may wish to subscribe to is not necessarily using the VCII decoder but yet this programming is available by a different decoder. How does "only one decoder" apply to <u>all the programming you wish to receive/</u>

FCC says VCII provides a much tougher scrambling standard and that costs more.

> Consumer comment: If GI's standard is so tough in quality of money you pay for it, how come its so easily pirated?
>
> Why has GI not ECM'd the pirated decoders, quickly, rather than initiate years of investigation where publicity of these investigations did greater harm to the satellite industry?
>
> Why does GI continue to use a extremely cheap (about $1.60) limited lifetime (2 to 3 years) battery for decoder module unit backup which when the battery goes your unit is brain-dead?
>
> Why hasn't GI's continued security modifications not been successful in blocking piracy?

When GI's Satellite Video authorization Center did a VCII to VCII PLUS Product Evaluation Program (PEP), did a VCII/VideoPal owners swap out for a VCII-PLUS .....

Why did GI continue to impose the operationaly defective VCII PLUS on legitimate SVC PEP customers?

Why were consumers punished, because of not accepting this inferior VCII-PLUS product, by losing their reauthorization legal access to pay-per-view?

Why is GI using the same security features in the VCII-PLUS as was in the previous VCII modules?

Why don't consumers have the right to take their decoders (out of warrenty) to a independent repair center without being intimidated by GI through their refusal to upgrade for free those legal decoders because the seal (tab) was either torn or missing?

Why are IRD manufactures exposed to having to give their trade sectrets manufacturing designs to GI so GI can see if if their module will fit?

Thru GI's force on the manufactures to expose their designs to GI aren't these competitors to GI losing their right to protect their design trade secrets, whereby GI can steal their competitors designs..with government's blessing?

Why does the FCC insist on claiming GI's VCII decoder is the de facto standard of the industry when from the beginning of it's introduction into the marketplace it is proven to be continually securely defective?

With over 250 formal complaints and documentation from TVRO organizations and consumers filed with the Federal Attorney Generals office against GI; alleging GI aided in the piracy of their TVRO VCII consumer decoders, why hasn't the government investigated, thourghly, these alligations aginst GI?

Why hasn't the government protected the VCII de facto standard by issuing a order to GI to shut off the VCII decoders or have a factory recall of the security defective decoders instead of leaving thousands and thousands of legal consumers at the mercy of GI in having to go through GI's lame attempt of upgrades at consumers cost?

Even with the latest decoder upgrades, VCII-PLUS, which is operationally defective, is the government just going to again turn their backs on the consumer and let GI continue on with their defective product changes, at the cost of the consumer?

Why aren't the programmers (HBO, Showtime, etc.) upset with GI's continious sale of defective decoder products in the marketplace?

How come these programmers have not changed decoder manufactures due to the ongoing insecure decoders? Is it because these programmers get a "kick back" from the "de facto standard" decodeer sales by GI?

How come GI's VideoPal came with a manual that states this VideoPal only works with the VCII decoder and then GI later sends you the same manual but has printed that this VideoPal only works with the VCII-PLUS?

The February 7, 1989 GI letter to Congress and the GI Press Release of September 5, 1988 proposes the following consumer questions:

If a consumer already owns a IRD/Stand-alone decoder, are they going to have purchase a security card each time GI feels the present VCII-PLUS security is threatened? From GI's past track record their security is threatened every day...so how does that leave the legal consumers?

If the consumer already has a IRD they purchased before 1990, are they going to be put in the position of having to buy a different IRD back panel (designed and sold by GI) so the security cards will interface with their IRD?

With all this cost savings due to the change over to the VCII-PLUS for the manufactures, why are the prices going in leaps and bounds higher every few months for the consumer?

How much is the cost of the security card to the consumer?

How long will the cost of the security card stay the same?

GI CONSUMER PROTECTION PROGRAM

February 1991 TVRO Dealer...GI announced its "bold and unprecedented Consumer Protection Program." Comming more than two weeks after its DigiCard announcement, GI guarantees that for three years after date of purchase, new buyers of VCII-PLUS descramblers will receive a free (one) VCII-PLUS upgrade, if "most cable/satellite TV programmers switch to a new level of VCII-PLUS technology. The program will cover all VCII-PLUS manufactured by GI after april 1 and applies to all IRDs made by 21 licensed manufactures. Initial retail sales likely will begin this June, at prices at least $100 HIGHER. "Our first concern has always been to protect the honest consumer", said GI.

June 9-15, 1991 Satellite TV Weekly..VIDEOCIPHER PRICES: Current retail prices for VideoCipher modules are as follows: Outright purchase of a VideoCipher II-PLUS with Consumer Security Protection Program (three year upgrade warrenty), $399, or $419 with built-in VideoPal pay-per-view modem; replacement VCII-PLUS or untampered VCII with exchange VCII-PLUS or untampered VCII, $199 and VCII-PLUS CSPP with exchange untampered VCII, $199, or $219 with built-in VideoPal. Consumers whowish to exchange tampered VCII modules for VCII-PLUS CSPP codules will pay $349. or $369 with built-in

VideoPal. These prices, effective April 8, 1991, do not include postage and handling; prices and module availability are subject to change.

> Consumer comment: It appears with all these savings going on in the TVRO industry, how come the consumer is not receiving any of the benefits; but yet GI says the TVRO dealer will receive great marginal benefits from the sale of GI's security cards! Again the consumer is being exploited through this financial cost...which will be never ending.

Before the Federal Communications Commission; Washington, D.C. GEN. Docket No. 89-78, "In the Matter of Inquiry into the Need for a Universal Encryption Standard for Satellite Cable Programming" REPORT adopted: April 12, 1990 Released: April 25, 1990 by the Commission, refer to page 7 of FCC 90-142, paragraph number 54:

> "IRD licensees can purchase the VCII module from either GIC or Channel Master."
> "Competition here is limited by the FACT that Channel Master must purchase certain proprietary chips from GIC."
>
> Consumer comment: doesn't this conclude that GIC has a monopoly in the marketplace?

Paragraph 54 continues with FCC's conclusion:

> "In essence, then, Channel Master can compete with GIC on the value added in fabricating modules from those and other components."
>
> Consumer comment: where does fact draw into the FCC's above stated conclusion to paragraph 54?

In the FCC Report; FCC 90-142/GEN Docket No. 89-78 of April 12, 1990; page 9 under iii. Conclusions; paragraph 73. last sentence:

> "Nor will we (FCC) ignore evidence of abuse of their position by owners of any proprietary technology used in the encryption of satellite cable programming."

In reference to the above FCC conclusion sentence in their report the CSC suggests a complete review of General Instruments Corporations ethics and business practices in regard to their series of decoders and the following allegations:

1. Aided and abedded piracy by continually manufacturing, for over 5 years, and selling to the public their decoders, knowing full well their decoders were easily modified, (ie. cost of modification is less than cost of programming).

2. Price Gouging: Most volume manufactures prices go down but GIC consistantly goes up in leaps and bounds.

3. GIC's selling of module model plans and schematics to the public.

4. GIC's continued refurbishing of VCII's in Mexico and re-entering these refurbished products back into the marketplace.

5. GIC's lack of interest in short term removal of modified decoders in the marketplace.

6. GIC knowingly introducing non-compatible and operationally defective new generation VCII-PLUS's and VideoPal products in the marketplace.

7. GIC permiting their largest distributor, RS&I, to continue to distribute their GI security decoders after being convicted of illegally importing decoders out of the United States, which is a felony.

* * *

CONCLUSION

It would be in the best public interest and TVRO marketplace to eleminate the monopoly status of General Instruments Corporation as the manufacture of the de facto decoder standard for the TVRO industry.

True competition is what the American Industries were built on. For the U.S. Government to block natural competition from the marketplace by endorsing a single manufacture, creates a monopoly, and undermines the Constitution Of These United States and the people for which it was created to protect.

It is time to open the doors of competitive entrepreneurship in the TVRO decoder industry and let consumers have choice of selction, let the programmers have individual control of securing their own signals and let the manufactures again retain their designing trade secrets.

The CSC suggests that a single multiple decoder, reasonably priced, with various security ports; would best serve the TVRO industry, the programmers and the consumers for years to come. With such a decoder, theft of signals from programmers would cease; consumers would not have to continually upgrade decoders and would have secure access to satellite/cable subscription services available in the present and future.

The CSC submits that after more than 5 years of a government granted monopoly status, to General Instruments Corporation in the TVRO decoder marketplace, it is time to open doors for decoder competition, the public interest manifestly warrents such relief.

Respectifully submitted:

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July 1, 1991

APPENDIX A

Documents to pages 2-5

March 6, 1986

TESTIMONY OF

Michael Fuchs, Chairman and Chief Executive Officer
Home Box Office, Inc.

Before the House Subcommittee on Telecommunications,
Consumer Protection and Finance

Good morning Mr. Chairman and members of the Subcommittee. My name is Michael Fuchs. I am Chairman and Chief Executive Officer of Home Box Office, Inc., a subsidiary of Time Incorporated. We were the nation's first, and are today its largest pay television company. Our satellite delivered program services, HBO and Cinemax, serve over 18 million subscribers in all fifty states.

I am pleased to be here today at the Subcommittee's invitation to testify on the background and implications of our decision to scramble the signals of our national satellite program services, and the long term benefits which we believe that decision will bring to the American television viewer. I intend to review the background and rationale underlying our decision, our business plan for serving earth station owners, our experience since full time scrambling began on January 15, and the relevant public policy implications of scrambling.

B. Technical Delivery and Authorization Process

Although the process for authorizing receipt of HBO's services is technically driven and involves a series of complicated computer applications, from the consumers standpoint it is presumably easy to obtain authorization. Literally, an earth station owner must do only two things:

1) obtain a Videocipher II descrambler which has a suggested retail price of $395; and

2) call the 800 HBO telephone number or the local cable operator and provide minimal billing information and the descrambler serial number.

The descramblers are available from a number of sources, including earth station retailers, cable operators, M/A-Com and other retail distributors of consumer hardware. In addition, Channel Master, a national distributor of earth station equipment, will provide a descrambler directly to an earth station owner, and can do so within 48 hours.

Once a consumer obtains a descrambler and calls the HBO 800 telephone number he is authorized and can receive an unscrambled picture in less than ten minutes.

Finally, Congress has provided another strong incentive to scramble satellite program services. Section 705 of the Cable Act provides that the signal theft laws shall not apply to the private unauthorized reception of satellite program services unless the programmer either 1) scrambles his signal; or 2) establishes a marketing system to offer the services to earth station owners. In effect, Congress said that programmers may not control their product and that their product may be freely expropriated unless the programmer takes one of these two specified actions. In addition to the reasons for scrambling stated above, Section 705 left programmers no choice. We simply cannot tolerate a business environment where the product we are selling may be obtained easily and without payment. Congress, in enacting Section 705, forced programmers to scramble their signals to protect their product.

II. Development of Scrambling System

The development of the scrambling system began in 1982 with the issuance of a request for scrambling system proposals. After 20 different manufacturers of satellite communications equipment were alerted of this request, 11 companies elected to examine the request for proposal. HBO eventually received a total of eight responses to the RFP.

After an initial assessment process, we began an in-depth examination of the three proposals which conformed most closely to HBO's seven main selection criteria.

Those criteria included the system's overall technical sophistication and degree of security, the cost of the system, the incorporation of proven rather than experimental techonology and the adequate demonstration of system reliability and performance.

We also assessed each bidder's general familiarity with the cable industry (with particular emphasis on knowledge of industry equipment specifications and security goals) as well as their manufacturing capabilities and commitment to precise production and distribution timetables to insure that they would be able to serve multiple programmers.

Bearing in mind the rapid development of home TVRO technology, HBO decided that a bidder's ability to make design improvements that would result in affordable consumer descrambling equipment would also be a crucial selection criterion.

Only after we completed this exhaustive solicitation and review process did M/A-Com emerge as the vendor of choice for HBO's scrambling system.